

Remuneration of Rupert Soames - Group Chief Executive

On 28 February 2014, Serco announced the appointment of Rupert Soames OBE as Group Chief Executive. Rupert joined the Company on 1 May 2014 at which point he joined the Serco Group plc Board.

Rupert was appointed on an annual salary of £850,000 which will next be reviewed on 1 April 2016. He receives a pension allowance of 30% of base salary and he entered into the existing Serco incentive plans for Executive Directors on the existing terms. His target and maximum bonus opportunity is 75% and 150% of base salary respectively and is linked to the achievement of financial and non-financial targets. He is eligible each year to receive a Performance Share Plan (PSP) award of 200% (maximum) of base salary which will be subject to three-year performance targets. In 2015 he will be eligible to participate in the Deferred Bonus Plan.

Accordingly, on 27 June 2014, Rupert was granted 466,776 options to acquire ordinary shares of 2p each in the Company through participation in the Serco Group plc Performance Share Plan (the PSP). The grant was to acquire at nominal cost for Rupert Soames.

For the 2014 award, the number of shares which will vest under the PSP is conditional upon the satisfaction of three independent equally-weighted performance measures as follows:

Performance Measure	Weighting of Measure	Performance Target	Vesting Period
Absolute Share Price	1/3 rd	450p (threshold) to 600p (maximum), measured over the 30 days following announcement of the Company's 2017 results.	4 years
Relative TSR	1/3 rd	Median (threshold) to upper quartile (maximum) when ranked against companies in the FTSE 51 to 130 (excluding investment trusts). Measured over the 30 days following announcement of the Company's 2016 results.	3 years
EPS	1/6 th	22p (threshold) to 26p (maximum) for the Company's 2016 results.	3 years
	1/6 th	30p (threshold) to 35p (maximum) for the Company's 2018 results.	5 years

The definition of EPS is Adjusted EPS as defined in the Company's reporting of its financial results.

In addition, Serco agreed to make share awards to Rupert to compensate him for the performance based and non performance based awards he forfeited on his departure from Aggreko through a one-off PSP award which was equivalent to 150% of base salary and an award of shares. Rupert was therefore granted 311,686 options to acquire at nominal cost ordinary shares of 2p each in the Company through a one-time PSP that will vest conditional upon the satisfaction of performance measures as follows:

Performance Measure	Weighting of Measure	Performance Target	Vesting Period
Absolute Share Price	40%	As set out above	As set out above
Relative TSR	40%	As set out above	As set out above
Strategic objectives	20%	Implementing the Company's Corporate Plan; rebuilding the senior management team; improving cash conversion; and improving operating margin.	3 years

Each element of the PSP awards will be subject to a post-vesting holding requirement that takes the total term of the award (i.e. vesting period plus holding period) to a minimum of 5 years. Pre-vesting malus and post-vesting clawback will also apply to these awards.

Secondly, to compensate for non-performance related awards foregone on leaving Aggreko plc, Rupert was granted 87,889 options to acquire at nominal cost ordinary shares of 2p each in the Company that are not

conditional on performance measures and are subject only to continued employment on the vesting dates as follows:

Number of shares	Vesting date
16,125	16 April 2015
23,994	6 August 2016
47,770	1 April 2017

Rupert has committed to meeting his shareholding requirement of 200% of base salary within two years, and he acquired 100% of salary on joining.